



Excise Tax Advisory

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ENGINEERING SERVICES IN CONNECTION WITH DESIGN OF MACHINERY FOR SALE

Issued July 22, 1966

Repealed June 30, 2000

Are proceeds from engineering services performed under contract of sale to an out-of-state corporation taxable as retail sales?

A Washington corporation sold machinery and equipment to an out-of-state corporation. The buyer shipped the machinery out-of-state. Two or three of the seller's engineers were at the buyer's place of business to assure that the building, foundations and plant layout would be suitable for the machinery which it had sold. Under the agreement, the purchaser paid the seller for design engineering services and for the property in one lump sum, but it also agreed to make additional payments for salaries, wages, travel and living expenses while the engineers were at the out-of-state plant site for field supervision and engineering.

The Commission held that the part of the engineering services included in the stated contract price for sale of the machinery were performed within this state, were not segregable from the machinery sale, and were part of the proceeds of the retail sale. A mixed transaction containing elements which might bear different rates of tax if separately bargained for should be taxed at the highest rate for the various elements involved. Thus the engineering services were a part of the sale of the tangible personal property and were considered as the inseparable payment for one retail sale.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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